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Media contact: Maura Saavedra, 602-252-2653

Rep. Ed Pastor's statement on his opposition to

Financial Crisis Markets Bill

WASHINGTON - The following is a statement from U.S. Rep. Ed Pastor, D-Ariz.:

"Yesterday, the U.S. House of Representatives voted on H.R. 3997, the Emergency Economic Stabilization Act, legislation proposing to invest $700 billion in mortgage-backed and other troubled securities in what has been characterized by *Congressional Quarterly* as 'an effort to remove toxic debt from the books of financial institutions and infuse the credit markets with new capital.' "

"I opposed passage of the measure. This was a difficult decision as I concur with financial experts that we are on the brink of a monetary crisis. This crisis could eventually impact even the most credit conscientious citizens through massive job layoffs, falling real estate values, failed pension and insurance funds, and lack of available credit for even the most meritorious purposes. However, the time frame we were given by the Administration was too short to devise the kind of comprehensive package needed to protect an investment of nearly a trillion dollars in taxpayer funds.

"Perhaps most disturbing is that H.R. 3997 did not include the necessary regulatory changes needed to rein in the bad business practices that created this economic meltdown. But I saw other problems with the legislation. Although the bill has been sold as holding the financial markets responsible for any losses through an industry-wide tax, it only asks the President to present such a proposal for future consideration. Furthermore, while there are provisions in the bill addressing compensation for departing executives of bailed-out financial institutes, it does not restrict the multimillion dollar salaries of executives still serving in companies needing assistance -- even though those persons may constitute the same management team that got the companies into trouble. I was also concerned that the bill gave the Treasury Department an option, rather than a requirement, to take warrants in companies that participate in the program -- as was done with AIG. Such warrants would allow the government to receive a portion of the profits of those companies that become profitable after the government has bought its troubled assets. Nor does the bill fully distinguish between U.S. and foreign companies/banks, allowing potential participation by foreign companies with 'significant operations in the United States,' without clarifying the circumstances where this would be allowable. And, it did not include language which would change bankruptcy law by allowing judges to reduce the principal of a primary mortgage to a home’s current market value.

"While I believe these and other shortcomings could have been addressed if we had been allotted more time, they are significant concerns when talking in terms of $700 billion. This position was clearly shared by a number of my colleagues as the bill failed to pass by a vote of 205 to 228. I remain hopeful that Congress will now take a slower and more deliberative approach to addressing this crisis, so that we may secure a meaningful response to the financial crisis that leverages any taxpayer investment to its fullest."